BRITISH COLUMBIA
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BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 10-44 November 5th, 2010

- **Economy shrinks 1.8% in 2009 but BC outperforms national average**
- **BC's unemployment rate inches down to 7.4% in October**
- **Building permits surge in October**

Gross Domestic Product (GDP)

- **British Columbia's economy shrank 1.8% in 2009, marking the first time since 1982 that the province has posted an annual decline in real GDP.** 2009 was a difficult year in most parts of the country. Newfoundland (-10.2%), Alberta (-4.5%) and Saskatchewan (-3.9%), together with NWT (-11.2%) and Nunavut (-5.9%) were hardest hit. Ontario's economy shrank (-3.6%) for the second year in a row, and the Canadian economy posted a 2.5% decline. However, Manitoba (0.0%), PEI (-0.1%) and Nova Scotia (-0.1%) emerged virtually unscathed from the recession while Yukon's economy grew 3.9%.

  BC's standing relative to other provinces actually improved slightly in 2009. It ranked 6th among the provinces in terms of economic growth, up from 8th place in 2008.

  Data Source: Statistics Canada

- **British Columbia's real per capita GDP fell 3.5%, dropping to $36,287 (chained 2002 dollars) in 2009.** This marked the second year in a row that real GDP has failed to keep pace with population growth. Alberta ($48,553), Ontario ($38,992) and Saskatchewan ($38,683) were the only provinces where real per capita GDP was above the national average ($38,126) in 2009.

  Data Source: Statistics Canada

- **The decline in BC's real GDP reflected weakness in both domestic and external markets.** Final domestic demand (total consumer, business and government spending) fell 1.9%, dragged down by weak growth in consumer spending (+0.3%) together with a 14.1% drop in business investment. Spending on residential (-11.3%) and non-residential (-9.8%) structures was down significantly, while business purchases of new machinery and equipment plunged 23.5%. At the same time, government spending on goods and services (+2.7%) and infrastructure (+23.0%) provided some stimulus to the economy.

  With consumers and businesses holding the lid on spending, the value of goods and services imported into the province slumped 8.4%. However, the province's exports to other countries and the rest of Canada slipped even more (-9.1%) during 2009. *Data Source: Statistics Canada*

- **Per capita personal disposable income fell 1.9% to $25,374 (chained 2002 dollars) in 2009.** Albertans ($32,611) continued to enjoy the higher per capita incomes than residents of other provinces. Ontario ($26,231) was also above the national average ($25,939). BC was ranked fourth among the provinces, after Saskatchewan ($25,655). *Data Source: Statistics Canada*

Labour Force

- **British Columbia's unemployment rate crept down to 7.4% (*seasonally adjusted*) in October.** The decrease in BC's jobless rate was driven by a marginal rise in employment (+0.1%, or a gain of 2,000 jobs).

  Job gains were concentrated in the goods sector, where employment climbed 0.7%. Most of the employment growth in the goods sector was attributable to manufacturing (+7.3%), although there were also gains in utilities (+8.4%). Increases in manufacturing and utilities were partly offset by job losses in forestry, fishing, mining, oil & gas (-10.6%), construction (-2.5%), and agriculture (-1.2%).

Report

China Could Be a Huge Market for BC Forest Products

Did you know...

Nearly a quarter (22%) of Canadians admit to secretly snooping through a host's bathroom cabinets and cupboards while a guest at a dinner party. *Source: Ipsos Canada*

Meanwhile, the service sector saw modest job losses (-0.1%), concentrated in a few industries, including health care & social assistance (-5.3%), accommodation & food services (-2.7%) and public administration (-1.7%). Conversely, educational services (+7.8%) and transportation & warehousing (+5.7%) were the fastest-growing services in October.

Data Source: Statistics Canada

- **The Canadian unemployment rate edged down to 7.9% in October, with a slight increase of 3,000 in the number of people with jobs.** Jobless rates were down or unchanged in all but two provinces. Manitoba (5.2%) and Saskatchewan (5.7%) continued to have the lowest unemployment rates in the country.

Data Source: Statistics Canada

- **Among BC's regions, unemployment rates were lowest in Vancouver Island/Coast (6.1%, *unadjusted, three-month moving average*), Mainland/Southwest (7.5%) and Northeast (7.6%).** October marked the first time in nearly two years where none of the province's regions recorded unemployment rates in the double-digits. Compared to the same time last year, employment (*unadjusted, three-month moving average*) has increased in every region of the province except Kootenay (-6.3%) and North Coast/Nechako (-2.8%). *Data Source: Statistics Canada*

- **In October (*unadjusted, three-month moving average*), the labour force participation rate of BC's female landed immigrant population (aged 25 to 54) was 76.5%, while the rate among their Canadian-born counterparts was 7.2 percentage points higher (83.7%).** Most of this difference is attributable to lower participation rates among more recent female immigrants. In contrast, the labour force participation rate among male landed immigrants (aged 25 to 54) was virtually identical to that of Canadian-born males (90.7% vs. 90.9%, respectively). *Data Source: Statistics Canada*

The Economy

- **The value of building permits issued by BC municipalities jumped (+26.0%, *seasonally adjusted*) in October, marking the fifth straight month of increases.** Planned spending for residential (+16.0%) and non-residential (+55.2%) projects was strong. Abbotsford-Mission saw the largest rise among BC's census metropolitan areas, with construction intentions more than doubling (+151.8%). Vancouver (+31.3%) and Victoria (+35.4%) recorded double-digit boosts, while Kelowna saw a more moderate increase in permits (+5.2%). *Data Source: Statistics Canada*

- **Year-to-date, the value of building permits issued in BC was 36.3% higher than in the first ten months of 2009.** Planned spending on construction projects was up in all regions, with the exception of Thompson/Okanagan, which inched down 1.2%. Increases in other regions ranged from 5.9% in Northeast to 60.5% in Mainland/Southwest. Much of the surge in Mainland/Southwest was the result of soaring permits for residential (+97.3%) projects, particularly in the Greater Vancouver area. *Data Source: Statistics Canada & BC Stats*

- **Compared to the same month last year, British Columbia's total lumber production was up 24.9% in August.** Output at Coastal mills jumped 13.4% and the production increase at Coastal mills was even more notable (+26.4%). On a year-to-date basis, lumber production in BC has climbed by nearly one-quarter.

Data Source: Statistics Canada

Education

- **High school dropout rates have declined in every province over the past two decades, with the most notable improvements seen in the Atlantic provinces.** In 1990/1993 (*three-year average*), Newfoundland & Labrador had the highest dropout rate in Canada (19.9%) and by 2007/2010, it had one of the lowest (7.4%). Among the other provinces, BC boasted the lowest dropout rates 2007/2010 (6.2%), while Quebec had the highest (+11.7%).

Data Source: Statistics Canada

Infoline Issue: 10-44
November 5th, 2010

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Contact: Dan Schrier
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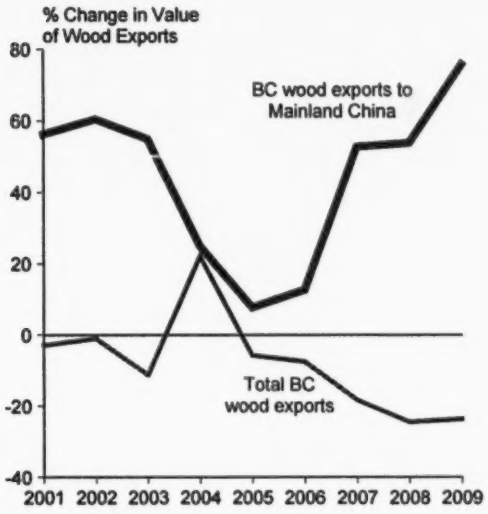
originally published in
Exports, issue 2010-10

China Could Be a Huge Market for BC Forest Products

Over the last decade, British Columbia's forest sector has experienced slumping demand for its products in foreign markets, particularly for solid wood products. One of the few bright spots has been the emergence of Mainland China as a market for BC's wood. In the last ten years, when the overall value of BC's wood exports declined in each year with the exception of 2004, shipments of solid wood products to Mainland China experienced substantial growth, with the value of solid wood exports to that country increasing by more than 23 fold from 2000 to 2009.

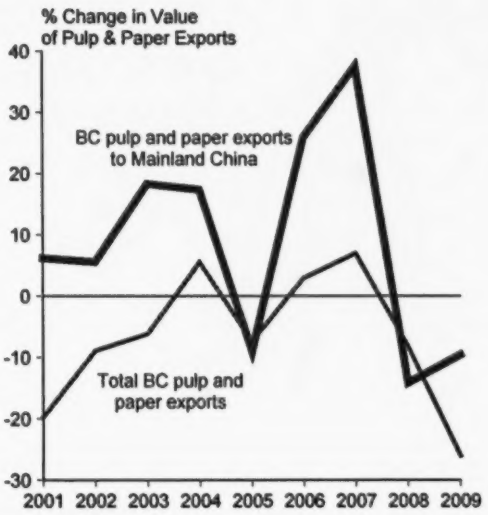
While BC's total wood exports have been slumping for most of the last decade, exports of wood to China have experienced robust growth



Source: Statistics Canada and BC Stats

While the pulp and paper sector has not seen the same kind of market expansion in China, the value of pulp and paper shipments in 2009 was almost double what it was in 2000 (an increase of 90.5%). Growth in pulp and paper exports to China has generally been quite a bit stronger than that of BC's overall pulp and paper shipments, although the value of pulp and paper shipped from BC to Mainland China has declined in three out of the last five years.

China has been a stronger market for BC's exports of pulp and paper as well



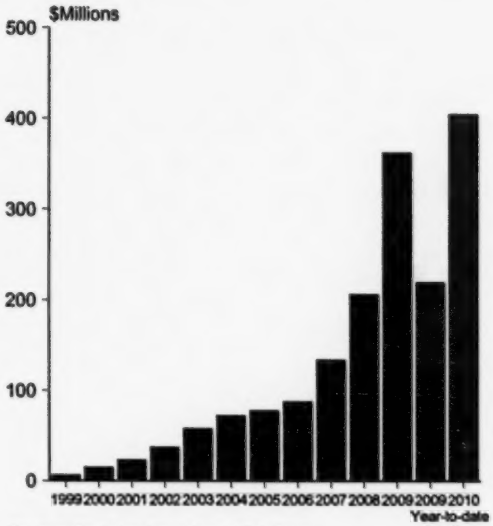
Source: Statistics Canada and BC Stats

As China's economy has grown, so too has its demand for forest products for use in manufacture of goods for both domestic and export markets. China ranks among both the top importers and exporters of forest products in the world. According to a United Nations report[1], China was the destination of about 9% of the world's imports and the origin of 8% of the world's exports of forest products in 2008. For the most part, China's exports consist of finished manufactured products, such as furniture and paper, whereas its imports are mainly inputs into the production process, such as logs, lumber and pulp.

[1] United Nations Economic Commission for Europe (UNECE). The Importance of China's Forest Products Markets to the UNECE Region. Geneva Timber and Forest Discussion Paper 57. United Nations, Geneva, 2009, pp. 1-2.

While China has an abundance of its own resources, they are still insufficient to meet the country's growing demand. Short-sighted forest practises that saw forest land being cleared and converted to farmland resulted in massive flooding in 1998, which left millions homeless and thousands dead. In response to these floods, the Chinese government introduced new policies to restrict logging in selected areas, such that China must rely on foreign sources for a significant portion of its timber needs.

BC's exports of solid wood products to China have continued to grow by leaps and bounds even through the economic downturn



Source: Statistics Canada and BC Stats

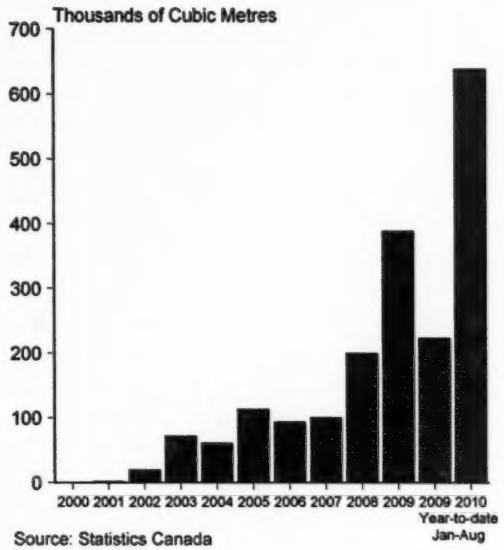
British Columbia has been a significant beneficiary of China's hunger for wood. While solid wood exports to China are still only about half the value of BC's pulp and paper shipments to that country (mainly pulp), they more than quadrupled from 2006 to 2009. China's emergence as a significant market for BC wood products and its potential to offer so much more has made Canadian forest companies sit up and take notice. For example, West Fraser Timber Company has created a Chinese language version of its website.

Until recently, Russia was the source of the lion's share of timber imported into China, particularly logs, but the imposition of a 25% log export tax by the Russian government in an attempt to encourage more domestic processing of its timber, and the threat of raising that tax to 80%, has left Chinese importers scrambling for alternative suppliers. The consequent wood fibre shortage in China resulted in increased imports of sawn lumber from both Russia and Canada (mainly BC), as well as rising imports of unprocessed timber from New Zealand and British Columbia. Thanks to the supply shortage caused by the Russian export tax, BC's solid wood shipments to China increased substantially through the economic downturn, despite an overall drop in imports of wood into China in that period.

The bulk of BC's wood exports to China are softwood lumber (about 87% in 2009), while unprocessed logs make up most of the remainder (10%). China has proven to be a good market for lower-valued lumber, such as the surfeit of pine beetle-killed wood available in British Columbia. Between 2008 and 2009, the value of BC's softwood lumber exports to Mainland China climbed 77.8%, while the volume shipped rose 116.7% as large volumes of lower-priced beetle-killed timber pulled down the average price of overall lumber exports to China.

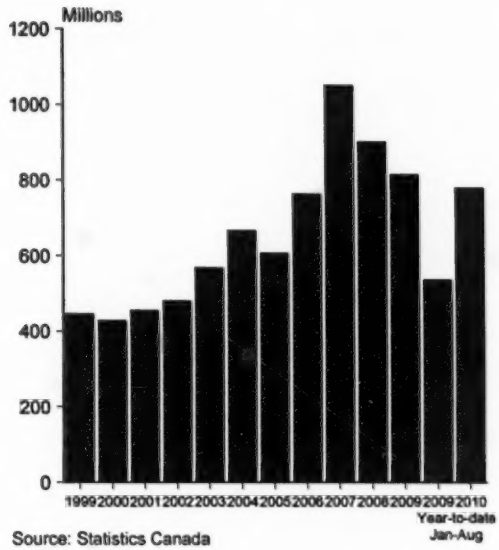
In addition to lumber, exports of unprocessed logs to China have also experienced significant growth, almost doubling in volume from 2007 to 2008 and again between 2008 and 2009. Through the first eight months of 2010, log exports have tripled compared to the same period in 2009. The rise in Chinese demand for unprocessed timber is almost certainly the result of the inflated price of Russian timber due to the log export tax.

Exports of unprocessed logs to China have taken off in recent years



Source: Statistics Canada

BC's exports of pulp and paper products to Mainland China were trending up before the economic downturn



Source: Statistics Canada

While Canadian forest companies are only beginning to get a foothold into the Chinese market for solid wood products, they have long been a major supplier of pulp to that market. In fact, Canada is the largest supplier of pulp to China. BC's pulp and paper exports to China, of which pulp comprises about 95%, were valued at about $816 million in 2009, which was significantly lower than the peak in 2007 of over $1 billion, but substantially higher than a decade earlier when they were valued at less than $0.5 billion. The global economic slowdown was the reason for the drop in Chinese demand for BC's pulp and paper, but the market appears to have recovered as shipments to China are up 45.6% year-to-date to August.

The Chinese government has stated a goal of being self-sufficient with respect to timber supply by 2015, but given the continuing growth in demand for wood and paper products within that country, that goal will be difficult to achieve. More likely, China will continue to rely on imports from countries such as Canada.

One of the barriers that has prevented Canadian lumber companies from entering the Chinese market in force has been residential building codes that did not allow for wood frame construction. This barrier has been removed as the Chinese government has finally revised its building codes to include wood frame construction after years of consultation with Canadian government organizations. While this is a positive development for BC lumber manufacturers, it would be unrealistic to assume that China will suddenly replace the United States as BC's primary market for lumber. BC will have to compete with countries such as Russia, for example, which has vast tracts of forest and is encouraging the development of more manufacturing facilities through its log export restrictions. Nevertheless, it is likely that BC will continue to see growth in exports of solid wood products to China in the years to come.

Infoline

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BC at a glance . . .

POPULATION (thousands)	Jul 1/2010	% change on one year ago
BC	4,531.0	1.6
Canada	34,108.8	1.2
GDP and INCOME (Released Nov 4)		
(BC - at market prices)	2009	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	191,006	-3.4
GDP *($ 2002 millions)*	161,851	-1.8
GDP *($ 2002 per Capita) (reflects revised pop)*	36,287	-3.5
Personal Disposable Income *($ 2002 per Capita)*	25,374	-1.9
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Aug 2010	2,975	-0.1
Merchandise Exports - Aug 2010	2,298	-3.6
Retail Sales - Aug 2010	4,771	-0.1
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Sep 2010)	one year ago	% change
BC	1.6	0.8
Vancouver	1.9	1.1
Victoria	1.2	0.5
Canada	1.9	1.4
LABOUR FORCE (thousands)		
(seasonally adjusted)	Oct 2010	% change on prev. month
Jobs Created (-Lost) - BC	1.5	
Labour Force - BC	2,507.0	0.0
Employed - BC	2,321.8	0.1
Unemployed - BC	185.1	-1.5
		Sep 2010
Unemployment Rate - BC *(percent)*	7.4	7.5
Unemployment Rate - Canada *(percent)*	7.9	8.0
INTEREST RATES (percent)	Nov 3/2010	Nov 4/2009
Prime Business Rate	3.00	2.25
Conventional Mortgages - 1 year	3.20	3.80
- 5 year	5.29	5.84
US-CANADA EXCHANGE RATE	Nov 3/2010	Nov 4/2009
(avg. noon spot rate) Cdn $ per US $	1.0092	1.0647
(closing rate) US $ per Cdn $	0.9932	0.9400
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Oct 2010	% change on one year ago
BC	828.30	2.4
Canada	830.61	1.8

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Small Business Profile 2010

The 2010 Edition of the annual profile of small business in British Columbia is now available. The report provides information on British Columbia's small businesses, including number of businesses, employment and small business' contribution to the provincial economy.

www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus.asp#sbp

Academic Journal Reviews Impact on Census

The publication of the schedule of questions for the 2011 Census on June 26, 2010 in the *Canada Gazette* was the first public appearance of plans by the Federal Government to fundamentally alter the basis of the questionnaire that is the bedrock of dozens of other high profile surveys such as the Labour Force Survey and the Consumer Price Index. Much has appeared in the press and other media stating both sides of the argument. The University of Toronto Press has contributed a series of articles in the journal *Canadian Public Policy* to bring sound academic argument to lay the foundation of fact on which to base further discussion of the policy decision by the Federal Government.

www.bcstats.gov.bc.ca/census.asp#C2011

Open Data extends to Trade Profiles and Quarterly Regional Statistics

This completes the initial phase of a project to offer Excel/CSV equivalents for files previously available only in PDF format. The files are available through our Area Profiles page.

www.bcstats.gov.bc.ca/data/dd/profiles.asp

Released this week by BC Stats

- Provincial GDP released Thursday Nov. 4th
- Labour Force Statistics, October 2010
- Earnings & Employment Trends, October 2010

Next week

- Exports, September 2010

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